Newfoundland Labrador

Department of Finance

Government Money Purchase Pension Plan Committee

2007 Activity Report

June 2008

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GOVERNMENT MONEY PURCHASE PENSION PLAN
ADMINISTRATION COMMITTEE
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Honourable Thomas W. Marshall
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL A1B 4J6

Dear Minister Marshall:

As the Chair of the committee responsible for the Government Money Purchase Pension Plan (GMPP), I hereby submit the 2007 Annual Report for the Committee. This report was prepared under my direction and I am accountable for the results contained herein.

The GMPP Committee's mandate is to administer the GMPP including the appointment of an administrator/custodian, setting investment policy and monitoring plan performance.

The GMPP is a capital accumulation plan, that is, retirement benefits are directly related to the amount of contributions and the income earned on those contributions throughout a plan member's career. As investment growth is critical to retirement security in this type of plan, members have been given the option to choose the fund or combination of funds that best suits their individual retirement objectives, within personally acceptable risk tolerances. The difficulty however, is engaging members in the fund selection process. This has become the main strategic issue for the GMPP Committee, and based on experience, plan members have been reluctant to make any investment choice, and instead are allowing their funds to be directed to the low risk, low return default investment. Employees should be aware of both the potential risks and rewards of making an active decision and the possible impact on their retirement goals.

This annual report outlines the activity and the growth in assets and membership during 2007.

I am pleased to submit the 2007 Annual Activity Report for your consideration.

Yours sincerely,

Donna Brewer
Chair of the GMPP Committee

OVERVIEW

The GMPP Committee was established by the Lieutenant-Governor in Council to oversee the operations of the Government Money Purchase Pension Plan. Employer representatives are appointed by virtue of their positions in government, while employee representatives are appointed based on the recommendation of the various unions. Committee members are responsible to ensure that contributions accumulated to the credit of the employee are invested prudently in the investment classes prescribed by the Committee and to promote the plan and educate employees on the importance of taking an active interest in their investments.

In order to ensure that employee and employer contributions are invested prudently, the Committee has established and implemented a Statement of Investment Policies and Procedures which provides investment options to members including Guaranteed Investment Accounts and market based funds, namely, an equity fund, a bond fund, a global equity fund and a balanced fund.

To assist in fulfilling its mandate outlined below, the GMPP Committee has retained the services of Great West Life Insurance Company to fulfill the roles of both the custodian and administrator of the GMPP. The Committee also retains an investment consultant, Russell Investments Canada Limited to assist the Committee in the design, implementation, and ongoing evaluation of all aspects of the pension investment program.

Phillips, Hager & North Investment Management Limited (PH&N) has been retained to manage all market based investment products and Mercer, an actuarial consulting firm, on an "as needed" basis, provides advice on various pension issues relating to compliance with pension legislation and the *Income Tax Act.*

The financial security of plan members depends on a member's investment decision, which, in turn, depends on a member's investment profile and risk tolerance. It is critical that members take an active interest in their portfolio and make asset allocation decisions suited to their risk tolerance and retirement expectations.

MANDATE

The Committee's mandate, pursuant to the *Government Money Purchase Pension Plan Act,* is to administer the GMPP, including appointing an administrator/custodian, setting investment policy and monitoring plan performance.

LINES OF BUSINESS

Ensure that contributions accumulated to the credit of the employee are invested prudently in the investment classes prescribed by the Committee and to promote the

plan and educate employees on the importance of taking an active interest in their investments.

VISION

The vision of the GMPP Committee is that all participating employees, using guidelines presented to them by the plan custodian, select an investment strategy suited to their retirement objectives with the ultimate goal to maximize the amount of pension funds available at retirement, but with a reasonable level of risk.

VALUES

Inclusion: Each Member of the GMPP Committee acknowledges each others' views and perspectives and has the right/opportunity to express their own.

Independence: Each member, while representing the interest of diverse stakeholders, recognizes that the decisions of the GMPP Committee are in the best interest of all stakeholders.

PRIMARY CLIENTS AND STAKEHOLDERS

The primary clients and stakeholders for the GMPP Committee are the employees who participate in the plan.

MISSION

Consistent with its vision of engaging employees in the investment decision making process, the Committee's mission is to improve employee's participation in the investment selection process. Currently, less than 50 per cent of employees make an active investment decision with respect to the funds they are contributing to the GMPP. Ideally, by 2011, the committee would like to see all members make an active decision with respect to their funds.

Measures: Improved participation in seminars
More plan members making an investment choice

Indicators: More plan members participating in annual sessions
Percentage of members making an active investment decision is increasing

KEY STATISTICS

Administration Costs

	2007	2006
Investment Management Costs (PH&N)	$ 255,513	$ 297,145
Russell Investments Canada Limited	14,000	14,000
Annual Pension Plan Registration	7,500	7,500
Support Staff	36,309	35,253
Total Administration Costs	$ 313,322	$ 297,145

Since the inception of the GMPP in 1989, actuarial consulting and support staff costs have been paid from employer contributions that are forfeited when members who are not vested terminate from the plan and take a refund of their contributions. The balance in the forfeitures account was $884,653 as of December 31, 2007 as compared with $668,319 as of December 31, 2006.

Investment management fees for Philips Hager North, which are based on the total plan assets under management, are charged directly to the plan member from investment earnings.

Membership Status

Plan membership has increased from 25,350 accounts in 2006 to 26,889 accounts in 2007. The number of accounts includes both active participants and terminated employees who have left their funds on deposit with Great West Life. Of the total number of accounts, 12,729 are members who contributed during 2007. Commencing in 2004, efforts were made to contact many of the account holders to advise them of their transfer options should they wish to move their funds from the plan. The following table details the change in membership from 2006 to 2007.

Membership Summary - 2007

		2007	2006
Opening Balance, January 1		25,350	24,340
Additions			
Enrolments during the year		3,172	2,767
Less			
Exits:	Terminations	1,509	1,660
	Death Benefits	29	24
	Retirements	95	73
	Total	1,633	1,757
Membership, December 31		**26,889**	**25,350**

FINANCIAL HIGHLIGHTS

Market Value

Employee contributions for the year totalled $10.2 million of which $251 thousand were Additional Voluntary Contributions (AVC's). Plan members may deposit additional funds (AVC's) to the plan, subject to RRSP limitations under the *Income Tax Act*. These AVC's are not matched by the employer. An additional $2.6 million was transferred in to the GMPP from other pension plans. Employer contributions for the year totalled $10.2 million and investment income was $4.2 million. Statement of changes in Assets for the year ended December 31, 2007 is shown below:

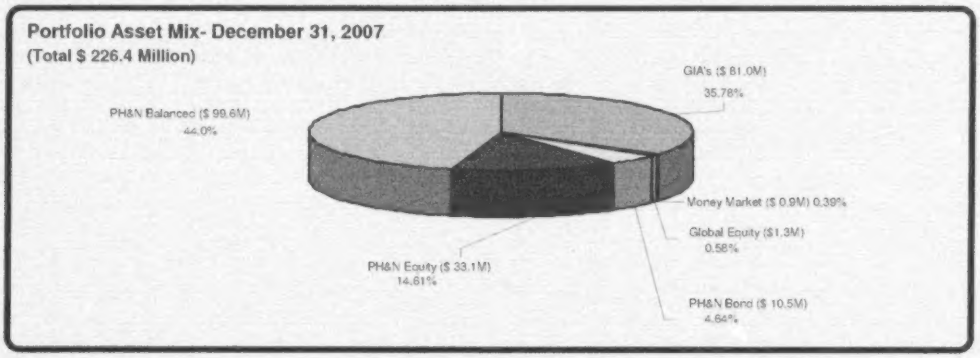
Statement of Changes in Assets for the Year Ended December 31, 2007

(Market Value)

	2007 (Millions)	2006 (Millions)
Opening Balance, January 1	$218.7	$192.1
Contributions to the Plan	20.6	21.9
Investment Income	4.2	17.2
Total Additions	24.8	39.1
Refunds to Terminating Plan Members	19.7	12.7
Administration Costs	0.1	0.1
Total Deductions	19.8	12.8
Current Period Change in Market Value of Investments	2.7	0.3
Market Value, December 31	$ 226.4	$ 218.7

Portfolio Asset Mix

Based on the asset decisions of plan members, the asset mix of the portfolio as of December 31, 2007 is illustrated in the following chart:



Investment Performance as of December 31, 2007

The following table details the performance of the GMPP market based funds to December 31, 2007:

Government Money Purchase Pension Plan (GMPP) Summary of Investment Returns as at December 31, 2007 with Benchmark comparisons				
Investment Options	**Three Months %**	**Twelve Months %**	**Four Years Annualized % p.a.**	**Ten Years Annualized % p.a.**
Balanced Pension Trust	-1.1	0.3	8.1	6.6
Balanced Pension Trust Benchmark*	0.0	3.0	9.2	6.7
Canadian Equity Fund	-3.3	6.5	15.5	11.1
S&P/TSX Composite Index	-1.2	9.8	16.3	9.5
Bond Fund	2.3	3.2	5.5	6.6
Dex Universe Bond Index	2.7	3.7	5.3	6.3
Global Equity Pension Trust	-3.8	-11.6	1.7	-
MSCI World ex Canada Index	-2.6	-7.6	5.7	3.0

* Current benchmark composition: 35% S&P/TSX Capped Composite Index, 25% MSCI World ex Canada Index, 35% Dex Universe Bond Index, 5% Dex 30-Day T-Bill Index.
Note: All performance data is shown on a gross or "pre-fee" basis.

Asset Mix and Fund Performance information was extracted from the December 31, 2007 PH&N Fund Management Report

ACTIVITIES

Issues

The GMPP was introduced in 1989 to provide a pension for part time employees and full time employees of public sector employers who were ineligible to participate in the full time plans. It is a capital accumulation plan where employee contributions, together with the employer match, are deposited to individual accounts. The employee has the option to allocate these contributions to a variety of investment vehicles including a balanced fund, an equity fund, a bond fund, a global fund and guaranteed investment accounts with various maturities. The amount that will accumulate to the employee's credit and that will be available to provide income at retirement is dependent on the investment option selected by the employee.

With the assistance of the plan custodian, employees are provided with the tools to evaluate their risk tolerances and to assist with selecting the best investment vehicle to meet their needs. Many employees seem content to let their funds remain in the lower return guaranteed option. While this may be a suitable investment for certain employees, it is evident from the asset mix of the GMPP portfolio that many employees are not seeking advice with respect to their accounts.

The Committee has endeavoured to engage employees in the process by offering annual education seminars across the province. Participation in these sessions has been low, but increasing slightly year over year. The main objective is to increase attendance at these seminars, with a long term view to improving investment selection. At some point, if employee interest in their plan does not improve, the Committee may have to look at alternative measures to ensure that the funds are invested in a prudent manner.

Objectives:

1. By December 31, 2007, the GMPP Committee will have evaluated participation in the seminars to determine level of success and future course of action.

   Measure: Rate of participation in education seminars in 2007
   Indicator: Increase participation by 50% of previous years attendance

2. By December 31, 2007, the GMPP Committee will have recommended a course of action if plan members do not take an active role in the investment of their funds.

   Measure: Rate of investment selection by members stay at 2006 levels.
   Indicator: More than 50% of plan members' contributions are invested in guaranteed investment accounts.

2007 RESULTS

Performance Objective 1:

The Committee endeavoured to engage employees to attend annual information seminars on the pension plan held at various locations across the province. In the past, participation at these sessions has been low. Attendance at this year's session did not meet expectations with only 246 employees participating as compared to 311 in 2006, a decrease in participation of 11%. There were 28 sessions held this year as compared to 30 in 2006. Efforts were focused in areas where there were a greater number participating employees and, wherever possible, sessions were held on site both during and after hours with the hope of improving attendance. Areas where there was little interest demonstrated in 2006 were not revisited. As well, in 2007, there was an increased emphasis on promotion with each employee notified in advance of the time and place for each session. Posters were prepared and distributed to all employers for display well in advance. On the positive side, those who attended the sessions found them very informative and worthwhile.

The committee will continue to evaluate options with respect to improving attendance at these sessions.

Performance Objective 2:

The percentage of employees in the plan who have made active investment decisions with respect to their investments was 35% at December 31, 2007 as compared to 38% in 2006. Part of this percentage decline was due to the increase in plan membership of 1,701. As well, a decline of 162 in the number of employees making an active investment allocation could be a result of these employees moving to full time employment and transferring their funds from the GMPP to the Public Service Pension Plan. In any event, the declining percentage indicates a need to continue the education effort.

CHALLENGES AHEAD

Plan Member Education

The primary focus for 2008 will continue to be plan member communication and education. As evidenced by the high percentage of investments in the Balanced Funds and guaranteed investment accounts (GIAs), many plan members are reluctant to make active investment decisions with respect to their accumulated funds. If plan members do not direct their funds to specific investment options, their contributions are directed to GIAs and the matching employers' contributions to the Balanced Fund.

In order to encourage plan members to take a more active interest in the GMPP, officials of the Department of Finance and London Life will continue to offer seminars to all plan members that will focus on educating members on the importance of investment selection. These sessions will be scheduled for the Fall of 2008, with a large number of the sessions conducted on site at employer locations.

Evaluation of Default Investments

Another alternative under consideration by the committee is the default investment. Currently when a plan member neglects to pick an investment option, the employee's share of the contribution remains invested in the default investment - GIAs. The employer's share is invested in the balanced fund. The Committee, in consultation with its advisors, will be assessing other alternatives for the investment of the employer's share, particularly in the case of employee's who have met the vesting criteria under the plan.

CONTACT INFORMATION

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